

REPORT

RELATING TO THE

Revenues of the Memphis City Schools

DATED APRIL 30, 1910

TO

MR. C. C. HANSON, Chairman

COMMITTEE

OF

BUREAU OF MUNICIPAL RESEARCH

OF

THE MEMPHIS CITY CLUB

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

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30 COLEMAN STREET
LONDON, E. C.

Cable Address "Haskells"

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CABLE ADDRESS "HASKSELLS"

NEW YORK, April 30, 1910.

MR. C. C. HANSON,

*Chairman, Committee of Bureau of Municipal Research
of the Memphis City Club,*

Memphis, Tenn.

DEAR SIR :

In compliance with your request that we confer with Mr. Charles Haase, Chairman of the Finance Committee of the Board of Education of the City of Memphis, and make such examination of school matters as he desired, we beg to state that Mr. Haase requested us to investigate the sources of revenues of the Memphis City Schools, and prepare an estimate of the revenues for the year ending June 30, 1911.

Relating thereto, we submit herewith five exhibits, together with comments, as follows :

Exhibit

"A" STATEMENT OF SCHOOL REVENUES COLLECTED (LESS ALLOWANCES TO OFFICIALS FOR SERVICES) DURING THE YEAR AND NINE MONTHS ENDED MARCH 31, 1910, SHOWING SOURCES FROM WHICH DERIVED, AND ESTIMATE OF PROBABLE COLLECTIONS DURING THREE MONTHS ENDING JUNE 30, 1910, AND COMPARISON.

"B" STATEMENT OF SCHOOL REVENUES COLLECTED (LESS ALLOWANCES TO OFFICIALS FOR SERVICES) DURING THE NINE MONTHS ENDED MARCH 31, 1910—BY MONTHS—SHOWING SOURCES FROM WHICH DERIVED.

"C" STATEMENT OF SCHOOL REVENUES COLLECTED (LESS ALLOWANCES TO OFFICIALS FOR SERVICES) DURING THE YEAR ENDED JUNE 30, 1909—BY MONTHS—SHOWING SOURCES FROM WHICH DERIVED.

"D" STATEMENT OF FUNDS AVAILABLE FOR CITY SCHOOL PURPOSES, AND PAYMENTS TO SCHOOL BOARD—FOR THE YEAR AND NINE MONTHS ENDED MARCH 31, 1910.

"E" STATEMENT OF REAL AND PERSONAL PROPERTY TAXES AND POLL TAXES LEVIED FOR SCHOOL PURPOSES—BY YEARS—FOR FIVE YEARS ENDED AUGUST 31, 1909—SHOWING PROPORTION COLLECTED AND NOT COLLECTED.

COMMENTS.

The revenues for the support of the Memphis City Schools are obtained from three general sources, viz.:

STATE OF TENNESSEE,
COUNTY OF SHELBY,
CITY OF MEMPHIS.

STATE OF TENNESSEE.

STATE SCHOOL FUND.

The State School Fund was created by Chapter 25, Laws of 1873, State of Tennessee. The law provides that the fund shall consist of \$2,512,500, and that the interest thereon shall be at the rate of 6 per cent. per annum. The proceeds are dedicated to the support and maintenance of the public schools of the State.

To the original sum may be added the proceeds of all escheated property, of all property accruing to the State by forfeiture, of all lands sold and bought in for taxes, of the personal effects of intestates having no kindred entitled thereto by the law of distribution, and donations made to the State for the support of the public schools unless otherwise directed by the donors.

The Comptroller's report of the State of Tennessee for the two years ended December 19, 1908, contains no information relative to the present status of the fund, so that it is not known whether the original grant of \$2,512,500 has been augmented by revenues from the sources above referred to.

The annual interest at the rate of 6 per cent. on \$2,512,500 amounts to \$150,750. The interest distributed among the several counties of the State, according to pages 162 to 165 of the Comptroller's report, was as follows:

Year 1907	\$136,719.93
Year 1908.....	131,322.88

The difference between the annual interest and the interest distributed is caused by the payment of the expenses of the office of the State Superintendent of Schools out of the income from the fund, in accordance with existing law.

GENERAL EDUCATION FUND.

This fund was created by Chapter 264, Laws of 1909, State of Tennessee, which provides that twenty-five per cent. of the "Gross revenue of the State" shall be paid into the fund, of which sixty-one per cent. is to be apportioned among the counties of the State according to scholastic population, in the same manner that the interest on the State School Fund is apportioned. This law was passed April 29, 1909, and repealed Chapter 537, Laws of 1907, which appropriated annually seventy-five cents for every pupil of lawful school age in the State.

Under the new law, the revenue from this source for the year ending June 30, 1910 (no more will be received prior to that date), amounts to \$11,097.18 less than for the year ended June, 30, 1909, during which time the old law was in effect.

COUNTY OF SHELBY.

REAL AND PERSONAL PROPERTY TAXES.

These taxes are levied by the County officials, and collected by the County Trustee. The assessment should be made as of the tenth day of January of each year, the taxes being due the following October.

Heretofore, the greater portion of these taxes has been collected in February and March of the year following that in which they were due. This, for recent years, is shown by the collections appearing in Exhibits "B" and "C."

PICK UP TAXES.

Pick Up Taxes are Real and Personal Property Taxes collected on property which is not included in the regular Tax Assessment Rolls. The larger portion of the amount collected is for taxes on railroad, telegraph and telephone properties within the County, the valuation of which is fixed by the State officials. These taxes are collected by the County Trustee.

REVENUE AGENT TAXES.

These are taxes collected on Real and Personal Property not included in the regular tax assessment rolls. They differ from "Pick Up Taxes" in that their collection is from persons who have endeavored to evade payment, while the collections under the title "Pick Up Taxes," excepting those from railroad, telegraph and telephone companies, are from persons who voluntarily come forward and pay their taxes. These taxes are likewise collected by the County Trustee.

DELINQUENT REAL AND PERSONAL PROPERTY TAXES.

Real and Personal Property Taxes become delinquent the first day of March in the year following that in which the taxes become due, and on the first Monday in May the Real Property is advertised to be sold on or about the first of June. After the property is sold, the papers are transmitted to the Circuit Court Clerk, and the former owner then has two years in which to redeem it.

The collection of these taxes is made by the Circuit Court Clerk.

POLL TAXES.

The assessment of these taxes is made by the County officials and the entire proceeds are allotted to school purposes. The Poll Taxes assessed during the five years from 1905 to 1909, inclusive, and the amounts thereof

collected, are shown by Exhibit "E." From this it appears that the assessment for the year 1909 is \$7,476, or 3,738 polls, less than for the year 1905. These taxes are collected by the County Trustee.

MERCHANTS PRIVILEGE TAXES.

Chapter 479, Laws of 1909, authorizes the assessment of this tax for school purposes on a basis of fifteen cents for each one hundred dollar valuation of the average capital invested in business. To this amount the County adds an assessment for school purposes of thirteen cents for each one hundred dollar valuation, making a total levy of twenty-eight cents.

In addition, the State collects a privilege tax of fifteen cents for each one hundred dollar valuation of the average invested capital. Of this the schools receive seven and one-half cents. These taxes are collected by the County Court Clerk.

MARRIAGE LICENSES.

Marriage Licenses are issued by the County Court Clerk and the fee of \$2.00 is collected by him. All this revenue is devoted to school purposes.

DOG TAXES.

This tax is authorized by Chapter 32 of the laws of 1907, which provides for the registration, by the Clerk of the Circuit Court, of all female dogs in the county. The charge for this service is three dollars for each dog registered, of which amount the Clerk of the Court is allowed fifty cents as his fee. In addition, he is authorized to deduct from his collections the cost of books, collars, tags and other necessary expenses.

The law provides that any person owning or keeping a female dog three months old, or more, and failing to apply for registration thereof, shall be guilty of a misdemeanor and upon conviction shall be fined not less than five nor more than twenty-five dollars.

At the present time this tax is not being enforced.

CITY OF MEMPHIS.

REAL AND PERSONAL PROPERTY TAXES.

The assessment of property is made by the City Assessor. The rate of taxation is fixed by the City Commission, with the exception of that for school purposes, which is fixed by law.

The assessment rolls should be compiled at the beginning of the year and delivered to the Board of Equalization by May 1st. This Board is allowed thirty days in which to hear complaints, after the expiration of which time the rolls should be turned over to the County Trustee for collection. These taxes are payable to the County Trustee and the greater portion thereof is collected during the months of July and August.

PICK UP TAXES.

REVENUE AGENT TAXES.

These Taxes are of a nature similar to those described in the comments on County Taxes and are collected by the County Trustee.

REVENUE FOR THE YEAR 1910.

The foregoing describes all the sources from which the revenues of the School Board of the City of Memphis are derived. State and County Revenues are apportioned between the County and City Schools as collected; and likewise the School Revenues from the City are available only as collected. Exhibit "A" shows the Revenues collected (less allowances to various officials for services) during the year and nine months ended March 31, 1910, as well as an estimate of probable collections during the three months ending June 30, 1910.

From this exhibit it will be noted that, although the collections of State and County Revenues for the year ending June 30, 1910, will be approximately \$9,595.38 more than those for the preceding year, the County will receive \$15,108.88 less, and the City \$24,704.26 more. This is mainly due to a greater increase in the scholastic population of the City than in that of the County; all State and County Revenues being divided between the City and County in proportion to their respective scholastic populations.

It will be observed from the table below, compiled from the books in the office of the County Trustee, that in the year 1910 the scholastic population of the City is approximately 66 per cent. of the total of the County as compared with 54 per cent. in the year 1905.

	SCHOLASTIC POPULATION					
	1910	1909	1908	1907	1906	1905
Total of County of Shelby.....	82,537	77,928	71,320	64,518	64,175	56,578
Total of City of Memphis.....	54,614	48,030	43,701	36,911	36,911	30,630
Proportion of Total of County.....	66.17%	61.63%	61.27%	57.21%	57.52%	54.14%

The increased City Revenues for the year ending June 30, 1910, will be mainly due to the City's tax levy for the year being twenty-five cents on the one hundred dollar valuation, as compared with twenty cents for the preceding year.

REVENUE FOR THE YEAR 1911.

A reliable estimate of revenues to be received by the School Board for the year ending June 30, 1911, would be difficult of preparation owing to the many conditions affecting their collection. The indications are, however, that the revenue from all sources will be twenty to twenty-five thousand dollars more than during the year ending June 30, 1910.

The largest portion of the Board's revenue is derived from Real and Personal Property Taxes, the assessment of which for the year 1910 is now

being made, and if the ratio of increase in values of the preceding year, as shown by Exhibit "E," is maintained, the additional revenue at the disposal of the School Board, from this source, should amount to approximately \$10,000 to \$12,000.

SUIT AGAINST THE CITY OF MEMPHIS.

During the year 1908, the School Board instituted suit against the City of Memphis to compel it to levy a tax of five cents in addition to the twenty cents on the one hundred dollar valuation of Real and Personal Property levied by the City in 1908 for school purposes. The Chancery Court of Shelby County decided the case in favor of the School Board, whereupon it was appealed to the Supreme Court of the State, which Court, on April 5, 1909, affirmed the decision of the lower court.

On June 26, 1909, the Chancery Court ordered that this tax of five cents be levied for the benefit of the Public Schools; that the Council hold such meetings as were required incident to the preparation of the necessary tax books, and that, when ready, the books be turned over to the County Trustee for the collection of the taxes, such taxes to become delinquent May 1, 1910. The Court further ordered that the writ of mandamus, as to the levy of the tax and the action taken by the Council, be returned on the first Monday of December, 1909.

The levy of this additional tax of five cents would render between thirty-five and forty thousand dollars available for school purposes.

BOND INTEREST AND SINKING FUND INSTALMENTS.

In connection with our investigation, we have examined the School Board's estimate of expenditures for the year 1910, submitted to the City Commission, and find that it includes allotments providing for the payment of Bond Interest amounting to \$47,627.50 and Sinking Fund Instalments amounting to \$35,542.

At the present time the outstanding bonds issued for school purposes are as follows:

ISSUE.	DATE OF MATURITY.	RATE OF INTEREST.	AMOUNT.
1889	July 1, 1911..	6%	\$25,000
1899	July 1, 1919.....	4%	28,500
1902.....	April 1, 1916.	4%	25,000
1902.....	April 1, 1921..	4%	25,000
1902.....	April 1, 1926.....	4%	20,000
1903.....	July 1, 1928..	4½%	75,000
1905	July 1, 1945.....	4½%	125,000
1907	July 1, 1937.....	4%	300,000
1909	July 1, 1959.....	4½%	498,000
1909 (Lenox).....	Feb. 1, 1929..	5%	50,000
Total ..	.....	.....	\$1,171,500

We have examined the laws authorizing the issuance of these bonds, and are of the opinion, in concurrence with that of counsel obtained by you, that the payments of interest thereon and of the required sinking fund instalments to provide for their retirement at maturity, with the exception of those in connection with the issue of the year 1889, are not proper charges against the revenues of the School Board: the twenty-five cent tax on each one hundred dollar valuation of real and personal property for school purposes being levied for the specific purpose of meeting the current expenses of the schools, exclusive of bond interest and sinking fund payments.

GENERAL.

We beg to express our appreciation of the uniform courtesy and assistance extended to us during the course of our work.

Yours truly,

HASKINS & SELLS,

Certified Public Accountants.

CITY OF

Statement of School Revenues collected (less allowances to officials for ing sources from which derived, and Estimate of Probable Collec-

		THREE MONTHS ENDING JUNE 30, 1910, ESTIMATED.
STATE AND COUNTY SCHOOL REVENUES:		
Interest on State School Fund.....		
State Apportionment, 1908.....		
State Apportionment of General Education Fund.....		
Real and Personal Property Taxes.....	\$44,626 50	
Pick Up Taxes.....	12,720 00	
Revenue Agent Taxes.....		
Delinquent Real and Personal Property Taxes.....		
Poll Taxes.....	1,500 00	
Merchants Privilege Taxes and Marriage Licenses.....	5,000 00	
Miscellaneous	100 00	
Total State and County Revenues.....	\$63,946 50	
County Schools' Proportion.....	\$21,637 04	
City Schools' Proportion.....	42,309 46	
Total.....	\$63,946 50	
CITY SCHOOL REVENUES:		
Real and Personal Property Taxes.....	\$5,000 00	
Pick Up Taxes.....		
Revenue Agent Taxes.....		
Total City Revenues.....	\$5,000 00	
SUMMARY OF CITY SCHOOL REVENUES:		
Proportion of State and County Revenues.....	\$42,309 46	
City Revenues	5,000 00	
Total City School Revenues.....	\$47,309 46	

Exhibit "A."

MEMPHIS.

services) during the Year and Nine Months ended March 31, 1910, show-
tions for Three Months ending June 30, 1910, and Comparison.

NINE MONTHS ENDED MARCH 31, 1910.	YEAR ENDING JUNE 30, 1910.	YEAR ENDED JUNE 30, 1909.	INCREASE.	DECREASE.
\$12,953 86	\$12,953 86	\$11,965 49	\$988 37	
46,764 36	46,764 36	57,861 54	.....	\$57,861 54
163,963 04	208,589 54	181,212 39	46,764 36	
19,995 18	32,715 18	30,664 54	27,377 15	
1,066 55	1,066 55	2,550 49	2,050 64	
741 61	741 61	1,313 76	.....	1,483 94
21,558 67	23,058 67	25,978 20	.....	572 15
14,983 14	19,983 14	21,143 04	.....	2,019 53
86 04	186 04	4,674 12	.....	1,159 90
.....	.....	.....	.....	4,488 08
\$282,112 45	\$346,058 95	\$336,463 57	\$9,595 38	
\$95,508 13	\$117,145 17	\$132,254 05	.....	\$15,108 88
186,604 32	228,913 78	204,209 52	\$24,704 26	
\$282,112 45	\$346,058 95	\$336,463 57	\$9,595 38	
.....
\$198,695 10	\$203,695 10	\$155,491 29	\$48,203 81	
710 06	710 06	371 45	338 61	
638 67	638 67	883 34	.....	5244 67
\$200,043 83	\$205,043 83	\$156,746 08	\$48,297 75	
.....
\$186,604 32	\$228,913 78	\$204,209 52	\$24,704 26	
200,043 83	205,043 83	156,746 08	48,297 75	
\$386,648 15	\$433,957 61	\$360,955 60	\$73,002 01	

Exhibit "A."

CITY OF MEMPHIS.

Statement of Funds Available for City School Purposes and Payments to School Board, for the Year and Nine Months Ended March 31, 1910.

	NINE MONTHS ENDED MARCH 31, 1910.	TWELVE MONTHS ENDED JUNE 30, 1909.
FUNDS AVAILABLE:		
Balance due from County Trustee at begin- ning of period.....	\$16,448 45	\$12,341 19
Revenues collected, per Exhibit "A".....	386,648 15	360,955 60
Total.....	\$403,096 60	\$373,296 79
Less—Sinking Fund Installments deducted by City.....	25,541 66	25,541 66
Funds available.....	\$377,554 94	\$347,755 13
Payments to School Board.....	\$334,052 27	\$331,306 68
Balance due from County Trustee at end of period.....	43,502 67	16,448 45
Total.....	\$377,554 94	\$347,755 13

Exhibit "D."

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